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Merchandising electronics:
New gadgetry sparks electricals surge—pp. 45-51

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National
Home Center News ®

Vol. 11, No. 14 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 1, 1985

Wickes Cos. to double in size with G+W deal

$1 billion acquisition lessens building mat'ls dependence

By Brad Altman
NHCN associate editor

LOS ANGELES — Wickes Cos., less than three weeks after announcing intentions to make a major acquisition this year, has agreed to purchase the consumer and industrial products businesses of Gulf+Western Industries for $1 billion.

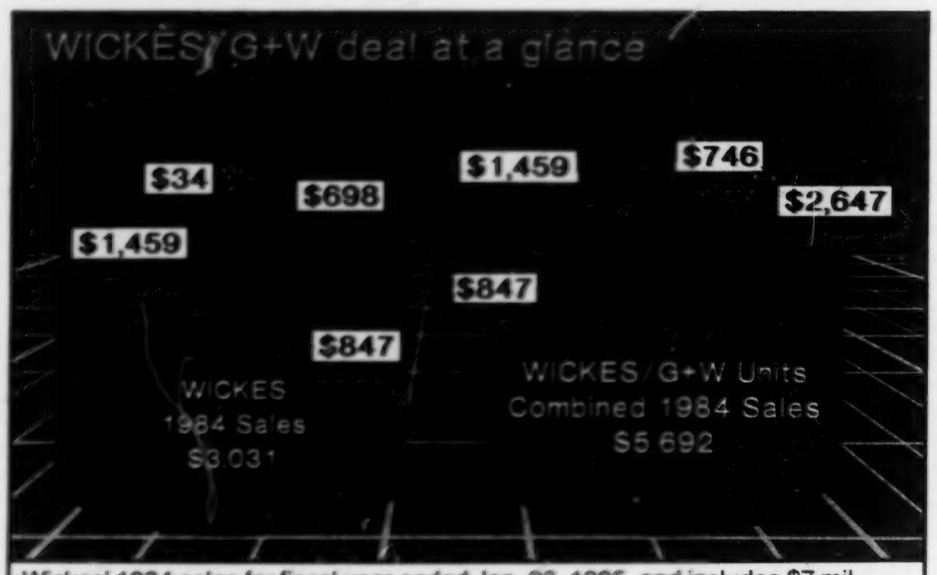
The acquisition would bring to Wickes a group of companies producing apparel, home furnishings and auto parts which, including distribution sales, are expected to generate $2.85 billion in sales for the year ending July 31.

Presuming the deal goes through as planned, the acquisition will virtually double the size of Wickes, which last year posted sales of $3.03 billion. It will also reduce the retailer's dependence on the building material and home improvement market.

The 212-unit Wickes Lumber and 63-unit Builders Emporium chains, along with Sequoia Supply, a wholesale division, and Wickes International contributed 48% of the company's revenue in 1984. That figure is expected to be reduced dramatically as a result of the new business segments being added to the company. Wickes also operates a $1.5 billion group of supermarkets, discount, drug, apparel and furniture stores.

The billion-dollar purchase, which represents a $200 million premium above the G+W group's asset value, is expected to be financed with a combination of cash, stock offerings and new debt. Along with the assets, Wickes will assume about $90 million in long-term debt. Gulf+Western will also receive a five-year option to purchase 10 million shares of Wickes common stock at $6 per share.

(Continued on page 74)



Wickes' 1984 sales for fiscal year ended Jan. 26, 1985, and includes $7 million loss on corporate items: G+W sales for year ended July 31, 1984.
Source: NHCN research; NHCN chart

Wickes' acquisition of Gulf+Western's consumer and industrial divisions reduces the retailer's reliance on building materials.

EXECS REACT TO TAX PLAN:

Fear lower taxes will not offset increased costs

By Milford Prewitt
NHCN associate editor

NATIONAL REPORT — By lowering personal income taxes, President Reagan's proposed tax reforms might increase do-it-yourselfer sales in home centers, but industry executives fear that the additional spending may not be enough to offset the proposed elimination of some valued tax breaks.

(Continued on page 73)

'This proposal would mean higher profits for us . . . but you have to . . . ask what long-term effect the plan would have on housing, capital investment, and jobs.'
—Bernard Marcus

Plan could hurt housing industry

NATIONAL REPORT — As with any complex legislative proposals, President Reagan's plan for tax reform and simplification has home center retailers scratching their heads about its implications for their businesses.

But while many of the proposal's provisions are still opaque to dealers, one—the elimination of the deduction for interest on second homes—is clear to retailers who claim it could negatively impact their sales and the industry at large.

Some in the home improvement industry contend that the passage of such a provision could, in one executive's words, "virtually eliminate" vacation and resort home construction. Others see this aspect of the tax plan as having a more ominous effect on the housing industry as a whole, and feel their own sales with contractors would suffer.

(Continued on page 73)

NEWSBREAKS

NEW ESOP PLANS. Payless Cashways and Wickes both told the SEC last month they planned to introduce employee stock ownership plans. Supermarkets General, parent company of Rickel Home Centers, will issue an additional 200,000 shares of common stock to its ESOP.

INSIDE:

Lowe's leveraging to protect its heartland ***—Page 2***

Scott's home centers becoming lawn & garden units ***—Page 3***

Ziegler, Pepsi, local businesses giving away "dream house" ***—Page 59***

General Felt tightens its grip on Diamond Lumber parent

New Mich. Gen'l prez cancels sale-leasebacks

By Phillip M. Perry
NHCN senior editor

CARROLLTON, Tex. — The president of General Felt Industries, Rocco A. Barbieri, was elected president of Michigan General on June 4, the day after John R. Boudreau resigned from the post.

The election of Barbieri represents a sudden new drive by General Felt, a carpet manufacturer and distributor, to achieve its previously announced plans to acquire and exercise control over Michigan General, parent company of $300 million Diamond Lumber.

On June 13, in one of his first official moves as president, Barbieri canceled the previously announced sale-leasebacks of five Diamond units, which would have brought $10 million into Michigan General coffers.

Other moves to assert control had also been made on June 4 by General Felt, which is based in Saddle Brook, N.J., and has annual revenues of some $400 million. Marshall S. Cogan and Stephen C. Swid, co-chairmen of General Felt who only three months ago were named to Michigan General's board, were advanced to the position of vice chairmen.

And another General Felt director, Frederick Marcus, was placed in the board seat vacated by Boudreau. General Felt now occupies four of nine Michigan General board seats.

In addition, General Felt purchased 259,354 shares of Michigan General's common stock between June 3 and June 6, bringing its ownership to 19.2% of the amount Michigan General has outstanding.

"The other new directors and I plan to follow the direction that John Boudreau laid out [for Diamond Lumber]," said Barbieri, speaking of plans to grow the home center chain. "The expansion plan is in place."

Less assured, however, are the financial tools the company will use to bring about Diamond's growth.

Most important among these are the use of sale-leasebacks, which Boudreau had told security analysts only last month would be the major recapitalization technique employed to

(Continued on page 74)

Dealers intensify efforts to secure sites

By Laura Liebeck
NHCN field editor

NATIONAL REPORT — The Home Depot filed suit last month against Sierra Vista Investment Co., of Riverside, Calif., for leasing a 91,200-sq.-ft. warehouse building in Riverside to Builders Square after allegedly contracting with the Atlanta retailer for the property.

While John Romberger, director of store planning and construction for Home Depot, said, he doesn't think this legal battle is common of real estate battles in the marketplace, it is clear that changes are occurring in the home center industry.

The situation brings to light just how intense competition for new retail sites has become in this rapidly growing industry.

Site selection is a company's key to success, the "name of the game," some say. "There's nothing more expensive than not making the right decision," asserted Frank Denny, president of Builders Square.

Many home center companies are feverishly trying to enter new markets and secure market share to sustain their presence and feed their expansion. This commotion has driven up real estate values so dramatically, especially in such key markets as Long Island, where Builders Square said it wants to go, that sites, including existing buildings, are very difficult to find and even harder to afford.

The kinetic marketplace also has changed the way some companies, retailers as well as developers, do business. There is more covert bidding for property going on, which is driving up prices, and many retailers are reporting that more developers than ever before are dividing up their property into smaller pieces so they get a higher return on their investment.

Home center executives say they are searching longer and harder for sites, and employing whatever services are available to them to ferret out information for site selection. More than ever before, market research programs are being used and emphasized to determine vital demographic information, ease of distribution and future growth of key areas as well as assessments of market share.

The dwindling supply of available, traditional retail

(Continued on page 73)

Store construction & remodeling

Rapid growth inspires innovative strategies

Special report starts Page 19

NHCNews Briefs

Industry Update

Edward Hines selling 6 DCs

CHICAGO — Edward Hines Lumber signed a letter of agreement June 12 to sell six of its 10 distribution centers for an amount over $10 million to the Hudson Group, a New York company formed two years ago to make acquisitions in the forest products industry. The facilities being sold are in Skokie, Ill.; Lafayette, Colo.; Tulsa, Okla.; Springfield, Mo.; Indianapolis, and Grand Rapids, Mich.

"I expect the deal to be completed by Aug. 1," said H. H. Howard, chairman of Hines Lumber.

The sale of the distribution centers is part of a larger plan by Hines to sell its retail operations. Details are currently being worked out for the sale of all 26 of the company's stores to president Ed Hines (*NHCN*, April 22).

Steinberg unit cuts Wickes stake

SANTA MONICA, Calif. — Reliance Financial Services, New York, a unit of Saul Steinberg's Reliance Group Inc., lowered its stake of common stock in Wickes Cos. to 3.9% from 8.4%.

Reliance also told the SEC last month that it had purchased 6.2% of Wickes' $2.50 convertible preferred stock.

Kaufman and Broad, a $600 million Los Angeles-based housing and insurance company, purchased 6.6% of Wickes' $2.50 convertible preferred stock. Sanford C. Sigoloff, chairman and president of Wickes, is also on the Kaufman board of directors. In an SEC filing, Kaufman stated its stake was made for investment purposes only.

Reliance continues to be the largest single holder of Wickes common stock. In March, the company purchased a 10.4% stake in Wickes, then reduced it to 8.4% a month later. (*NHCN*, April 22.)

Building mat'l sales climb in May

WASHINGTON — Retail sales of building material, hardware and supply stores, including mobile home dealers, rose 10.9% in May, according to preliminary Commerce Department figures.

The May gain proved to be stronger than expected in light of revised April sales, which, showed sales rising 19.1%, rather than 12.8%, as was initially reported by the department.

The April revision reflected across-the-board revisions by the department, with total retail sales rising 2.4% in April, not 0.9% as was first reported by the department a month ago. May sales, meanwhile, were up 0.8%, to $119.1 billion. The magnitude of the April revision was welcomed by analysts as good news, but drew criticism about the reliability of the department's preliminary figures.

Sales of building material and supply stores specifically were up 16% in April, to $4.49 billion, over March, and 11.1% over the previous year, according to the latest data. Hardware store sales, meanwhile, were up 18.1% to $879 million, compared to March, and 11.7% over the previous year.

When adjusted for seasonal and selling-day variations, however, the April gains were less dramatic, rising 4.1% in April to $4.52 billion, for building material and supply dealers, and 5.5%, to $863 million, for hardware dealers. However, sales for building material dealers, as well as hardware stores, were both 10% ahead of the previous year.

Ledbury leaves City Mill

HONOLULU — David Ai, president of five-unit City Mill based here, said merchandise manager Donald J. Ledbury has departed the company, and there are no current plans to fill his position.

Ledbury, who worked at City Mill for three years, moved to Las Vegas, Nev., in mid-May, but he could not be reached for comment on his future plans. Ledbury previously had worked for Lindsley in Miami and Handy Dan in Independence, Mo.

In a separate development, Ai said the company's newest unit, near Honolulu's International Airport, a former Atlas Building Supply store acquired last September, has been closed and its merchandise liquidated.

Builderama to open 7th unit

SAVANNAH, Ga. — Builderama will open its seventh retail store early next year in Summerville, S.C., in suburban Charleston, company president Donald Kole reported.

The new store will be a 30,600-sq.-ft unit "with a semiwarehouse look" and include a 10,000-sq.-ft. outside selling area reserved largely for home and garden supplies, Kole said.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $25 a year ($26 Canadian). Single copy rate $2 except first May issue (Annual Census) and second July issue (Consumer Attitude Study) $15 each. Foreign subscriptions: Airmail only, $125 per year.

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Vol. 11, No. 14 July 1, 1985

Lowe's invests to guard heartland

NORTH WILKESBORO, N.C. — Engaged in what the company is calling "an investment year for future growth," Lowe's expects to take on additional long-term debt in order to build more stores, renovate existing ones, and purchase supporting equipment.

"We are expanding more rapidly, to protect our heartland," said Harry B. Underwood, vp and treasurer of the $1.7 billion chain of 275 home centers. Underwood and other Lowe's officials spoke to security analysts in New York last month.

Company officials said they plan to obtain another $11 million by means of industrial revenue bonds, and seek an additional $8 million of long-term debt in the form of capitalized equipment leases, this year. Another $30 million in debt will probably be acquired in 1986.

Once the round of financing is completed, the company expects its long-term debt to make up 30% of total capitalization, compared to its current level of 22%.

As for the use of the company's long-term debt, some $95 million has been earmarked for store renovation and expansion, including new stores that are scheduled to open in 1986. An additional $20 million was spent on capital assets of the stores acquired earlier this year from Boise Cascade. The company expects to spend $15 million on new equipment for existing stores. Another $10 million is going into distribution centers and $5 million has been budgeted for corporate level support programs.

The average cost to build a new store is $3.3 million, with $800,000 of that amount going for land.

In other matters brought up at the analysts' meeting, the company said comparable store sales had increased by 23% during the first four months of this year, compared to the same period last year. Sales at comparable super retrofit stores had increased by 38% for the same time periods.

As for comparable store sales in key metropolitan areas, those in the Nashville market fared best, clocking in at 65% over the first four months of last year. The figure for Raleigh, N.C., was 45%, for Louisville, 26%, and for Atlanta, 22%. While store sales in central Florida increased by only 4%, and in Orlando, Fla., by only 7%, in the first four months of 1985, these percentages jumped to 17% and 22% for the month of April.

Companywide, sales for the first quarter ended April 30 in-

(Continued on page 6)

O'Malleys hires Einfeld to overhaul biz

By Brad Altman
NHCN associate editor

PHOENIX — Striving to carve out a stronger building materials emphasis in its hometown, O'Malleys has hired longtime industry participant Nick Einfeld to overhaul its struggling retail operations.

Three units closed

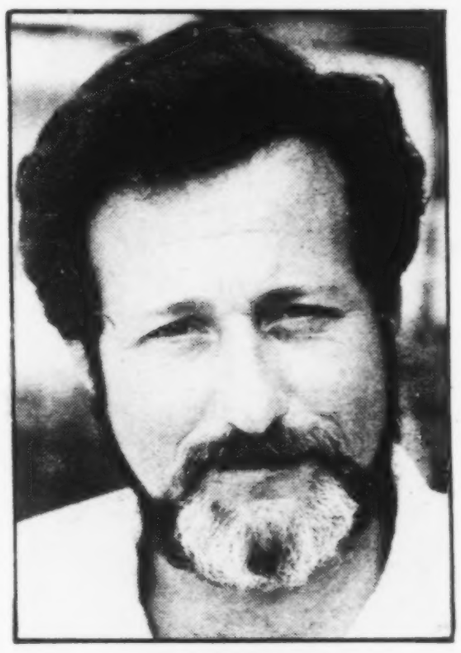
In the face of severe competition sparked by the November 1983 arrival of The Home Depot, O'Malleys closed two stores in Phoenix and Tucson, Ariz., last December. A third store, in the Paradise Valley section of greater Phoenix, was shuttered June 8.

Dean A. Drake, executive vp of the O'Malleys Lumber Co., said Nick Einfeld has been named consumer marketing director "in complete charge of all our retail operations, merchandising, ad department, product and vendors."

Administrative move

O'Malleys' Paul Conley, the assistant gm who was formerly in charge of overseeing the retail stores, "will be working more in the administration end of the business and in our heavily builder-oriented yards," Drake said. "He is a very valuable part of our management team."

(Continued on page 67)



Nick Einfeld

Weyerhaeuser revamps wood group

TACOMA, Wash. — In a major overhaul of its solid wood sales marketing group, Weyerhaeuser Co. is assigning important functions previously handled by corporate management here to three newly formed groups located in the West, East, and Central U.S.

The June 1 top-level headquarters reorganization created a newly formed sales and marketing organization headed by group vp Lynn E. Endicott, who said the changes would serve Weyerhaeuser's woodproducts markets "more responsively."

He said the changes are designed to allow key sales personnel to maintain continuity of their current customer contacts, but within an organization arranged to give them more effective sales tools.

Weyerhaeuser's distribution facilities, called customer service centers, "will have at their disposal a much more responsive marketing capability and closer linkages to our mills," Endicott said.

(Continued on page 67)

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- *Ceiling fan sales to remain level through '85*—**Page 51**
- *New merchandising program stokes Anderson's stove sales* —**Page 53**
- *Moore's culls industry's best for Raleigh warehouse* —**Page 56**

Advertising & Marketing

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- *Ole's embroiled in ad snafu over which home center is "biggest"* —**Page 59**
- *O'Malleys plots radio ad strategy for fraction of television's cost* —**Page 59**
- *Killer car crushes house in O'Malleys radio ad* —**Page 59**
- *Week in the Bahamas promotion heats up sales at San Diego P&G* —**Page 60**

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FINANCIAL NEWS

23 Gainers

3 Unchanged

28 Losers

Losers outnumbered stock price gainers, 28–23, on *NHCN*'s Industry Market Summary for the week ended June 14. Three stocks were unchanged during two weeks of roller-coaster market activity.

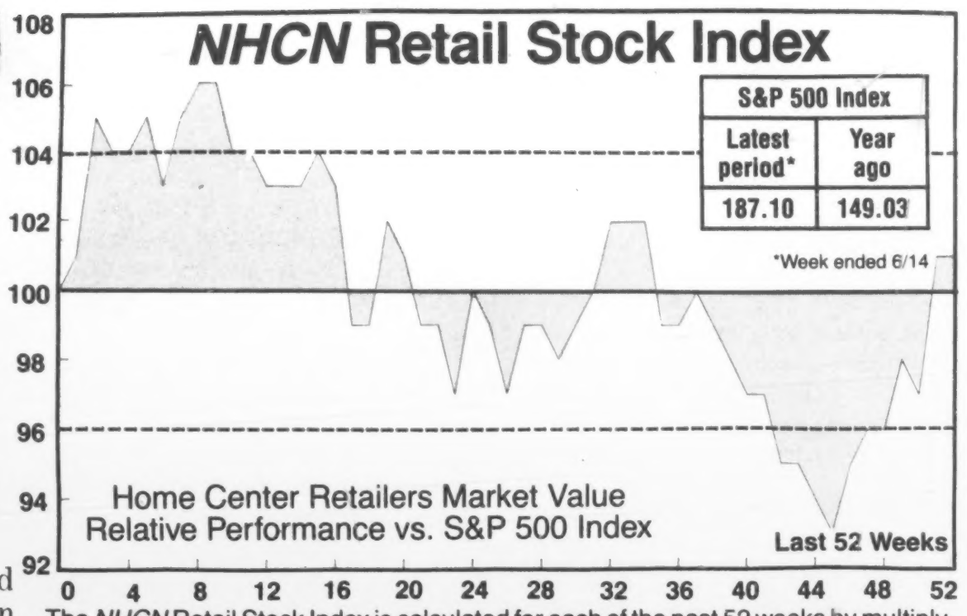
Scotts Seaboard (with 17 Scott's Home Centers) saw its stock price jump over 83% following its acquisition by General Host. General Host paid $3 per share for all 1.802 million shares of Scotts Seaboard, which closed the two-week period at $2.75, a 52-week high. General Host plans to convert the stores to lawn and garden outlets (see story, page 3).

Three of the industry's largest retail chains were among the biggest price losers. Payless Cashways fell 14.6% to close on June 14 at $17.50 on some 14 million shares traded. This decline follows a 10.4% drop at the close of the previous two-week period ending May 31.

Home Depot chairman Bernard Marcus insisted that there is "no logical explanation" for his chain's stock drop (see story, page 5). Depot stock closed the period at $14.75, down 10.6%, on a two-week volume of 5.66 million shares.

Hechinger Class B common was down 10.5% to $25.50 on a little over one million shares traded

Diamond Lumber parent, Michigan General, experienced a 6.3% decline to $5.63 on 3.43 million shares traded. Michigan General is now under the leadership of General Felt Industries' Rocco Barbieri after the sudden resignation of president John Boudreau last month (see story, page 1).



The *NHCN* Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant (k) which adjusts the index to show its relation to the performance of the S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Scott Seabd O	130	620.0	83.3
Thos Inds N	1,521	607.4	- 4.7
SW Forest Ind N	10,498	495.3	16.5
Black & Decker N	48,844	336.9	- 4.9
Natl Lumber M	1,263	330.8	12.5

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Insilco Corp N	6,349	317.6	2.7
Boise Cascade N	16,756	261.2	5.8
Certain-teed N	3,706	254.5	1.8
Lowe's Cos N	10,621	253.0	- 6.9
Newell Co N	1,286	233.3	- 3.1

TOP GAINERS

Company & Market	2-Weeks Ended 6-14-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Scott Seabd O	2.75	83.3	130
SW Forest Ind N	14.13	16.5	10,498
Natl Lumber M	5.63	12.5	1,263
Emhart Corp N	29.63	6.8	5,311
Manville Cp N	6.25	6.4	4,770

TOP LOSERS

Company & Market	2-Weeks Ended 6-14-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Payless Cash N	17.50	- 14.6	14,154
Clopay Corp A	16.88	- 12.9	125
Home Depot N	14.75	- 10.6	5,657
Hechinger B M	25.50	- 10.5	1,095
Waxman Ind M	14.75	- 9.9	2,431

National Home Center News

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 6-14-85 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Period -	Date Ended -	Latest Quarter: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %
Retailers																													
Boise Cascade N	47.50	2.63	5.8	49.00	44.25	49.00	32.50	16,756	6.14	1.70	261.2	19.8	1.90	4.0	.....	3 mos.	03-85	957.5	1.0	33.3	19.4	1.12	17.9	957.5	1.0	33.3	19.4	1.12	17.9
Color Tile M	17.50	.75	4.5	17.63	16.63	20.00	13.63	4,462	4.83	1.78	171.3	12.4	.00	.0	.....	9 mos.	03-85	90.7	14.7	3.1	- 20.5	.33	- 19.5	249.4	18.4	9.3	- 8.8	1.01	- 1.9
Edison Bros N	35.75	.50	1.4	37.00	34.75	37.50	31.50	1,529	1.51	.79	91.1	13.6	1.60	4.5	.....	3 mos.	03-85	276.9	- 9.2	3.9	- 61.0	.38	- 60.0	276.9	- 9.2	3.9	- 61.0	.38	- 60.0
Erb Lumber O	21.00	- 1.00	- 4.5	22.50	21.00	22.50	18.00	35	.39	.16	143.8	6.4	.00	.0	.....	3 mos.	03-85	27.1	2.3	(.4)	NE	(.40)	NE	27.1	2.3	(.4)	NE	(.40)	NE
Evans Prod N	2.00	.00	.0	2.13	2.00	6.25	1.75	800	.58	.36	61.1	NE	.00a	.0	NEW	3 mos.	03-85	229.3	- 9.9	(39.7)	NE	(2.95)	NE	229.3	- 9.9	(39.7)	NE	(2.95)	NE
Forest City Ent A	21.88	.13	.6	22.38	21.63	22.38	15.00	54	.13	.04	225.0	44.6	.15	.7	.....	fiscal	01-85	75.3	20.7	.9	NE	.09	NE	264.5	6.2	3.9	- 7.1	.49	- 5.8
Grace W R N	41.63	- 1.00	- 2.3	43.50	41.50	44.50	38.50	7,979	1.64	.94	74.5	11.0	2.80	6.7	.....	3 mos.	03-85	1580.0	5.5	35.5	- 22.7	.72	- 23.4	1580.0	5.5	35.5	- 22.7	.72	- 23.4
Hechinger A M	25.25	- 2.00	- 7.3	28.00	25.25	29.00	17.00	1,730	2.47	1.27	94.5	NA	.16	.6	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	25.50	- 3.00	- 10.5	28.25	24.88	30.25	17.00	1,095	.60	.28	114.3	21.8	.10	.4	NEW	3 mos.	04-85	114.6	30.4	3.8	11.8	.21	10.5	114.6	30.4	3.8	11.8	.21	10.5
Hines Ed Lumber O	39.25	- .25	- .6	39.75	39.00	43.75	34.50	26	.15	.24	- 37.5	27.4	1.00	2.5	.....	fiscal	12-84	68.4	10.3	.2	- 33.3	.13	- 27.8	280.8	12.5	2.5	38.9	1.43	38.8
Homecrafters Whse M	8.75	.25	2.9	8.75	8.25	16.25	5.25	1,417	5.01	2.13	135.2	NE	.00	.0	NEW	fiscal	01-85	35.2	34.9	(3.2)	- 100.0	(1.14)	- 100.0	156.4	49.7	(4.8)	- 100.0	(1.69)	- 100.0
Home Depot N	14.75	- 1.75	- 10.6	16.63	14.50	27.88	12.00	5,657	2.26	1.70	32.9	29.5	.00	.0	NEW	3 mos.	04-85	145.0	51.2	1.9	- 44.1	.08	- 42.9	145.0	51.2	1.9	- 44.1	.08	- 42.9
K mart Cp N	37.63	- 1.25	- 3.2	39.50	37.25	41.50	28.63	35,020	2.80	1.47	90.5	9.8	1.40	3.7	.....	3 mos.	04-85	4984.1	19.3	58.5	.9	.46	2.2	4984.1	19.3	58.5	.9	.46	2.2
Lowe's Cos N	26.88	- 2.00	- 6.9	29.25	26.75	31.13	16.25	10,621	2.93	.83	253.0	16.0	.36	1.3	NEW	3 mos.	04-85	452.3	18.9	11.9	- 6.3	.33	- 5.7	452.3	18.9	11.9	- 6.3	.33	- 5.7
Mich General A	5.63	- .38	- 6.3	6.13	5.38	8.50	4.75	3,434	3.03	.94	222.3	26.8	.00	.0	.....	3 mos.	03-85	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0
Natl Lumber M	5.63	.63	12.5	6.25	5.00	7.50	4.50	1,263	2.24	.52	330.8	23.4	.00	.0	NEW	fiscal	12-84	32.8	11.2	.3	200.0	.06	200.0	127.9	12.7	1.3	- 40.9	.24	- 48.9
Pay N Pak N	14.38	.50	3.6	14.88	13.88	17.50	11.50	2,802	2.80	2.05	36.6	14.2	.60	4.2	.....	fiscal	02-85	61.5	15.2	1.2	- 45.5	.12	- 50.0	305.2	22.3	10.1	1.0	1.01	- 9.0
Payless Cash N	17.50	- 3.00	- 14.6	22.25	17.00	23.38	13.50	14,154	4.12	1.30	216.9	15.8	.16	.9	.....	3 mos.	02-85	254.9	29.1	1.6	- 38.5	.05	- 44.4	254.9	29.1	1.6	- 38.5	.05	- 44.4
Scott Seabd O	2.75	1.25	83.3	3.13	2.63	2.75	1.00	130	.72	.10	620.0	27.5	.00	.0	.....	fiscal	01-85	7.9	3.9	.0	NE	(.02)	NE	37.4	6.6	.2	- 71.4	.10	- 73.7
Scotty's Inc N	13.88	- .25	- 1.8	14.50	13.63	16.38	11.38	1,110	.84	.36	133.3	10.4	.52	3.7	.....	9 mos.	03-85	121.7	6.0	5.0	- 12.3	.38	- 13.6	333.0	7.2	12.0	- 1.6	.90	- 6.3
Sears, Roebuck N	37.75	- .88	- 2.3	39.13	36.88	39.13	29.75	66,358	1.84	.88	109.1	9.4	1.76	4.7	.....	3 mos.	03-85	8902.9	5.4	223.3	4.4	.60	.0	8902.9	5.4	223.3	4.4	.60	.0
SW Forest Ind N	14.13	2.00	16.5	14.38	11.88	20.13	11.75	10,498	11.31	1.90	495.3	47.1	.00	.0	.....	3 mos.	03-85	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0
Std Brd Pnt N	22.25	1.13	5.3	23.50	20.75	23.50	16.50	4,675	4.19	1.58	165.2	11.8	.56	2.5	NEW	3 mos.	04-85	80.9	4.0	4.8	4.3	.43	2.4	80.9	4.0	4.8	4.3	.43	2.4
Supermkts Gen N	44.50	- .75	- 1.7	47.75	43.75	47.75	22.75	3,847	2.16	1.45	49.0	13.2	.42	.9	NEW	3 mos.	04-85	1215.4	37.2	11.8	181.0	.66	175.0	1215.4	37.2	11.8	181.0	.66	175.0
Wickhan Lumber M	6.88	.13	1.9	7.00	6.63	7.25	4.00	693	1.18	1.25	- 5.6	15.6	.16	2.3	.....	3 mos.	03-85	23.1	4.1	(.3)	NE	(.06)	NE	23.1	4.1	(.3)	NE	(.06)	NE
Wholesalers																													
Lewis Palmer M	8.50	- .50	- 5.6	8.75	8.25	9.75	7.09	419	1.12	.87	28.7	40.5	.28b	3.3	NEW	3 mos.	04-85	33.0	13.4	.0	- 100.0	.00	- 100.0	33.0	13.4	.0	- 100.0	.00	- 100.0
Manufacturers																													
Allegheny Int N	24.13	- 1.00	- 4.0	26.00	24.00	28.75	18.75	3,128	2.97	1.07	177.6	NE	1.40	5.8	.....	3 mos.	03-85	507.2	1.9	5.1	- 7.3	(.35)	NE	507.2	1.9	5.1	- 7.3	(.35)	NE
Am Standard N	29.68	- 2.38	- 7.4	32.25	29.50	35.38	23.50	12,411	3.18	1.03	208.7	10.0	1.60	5.4	NEW	3 mos.	03-85	789.0	25.1	20.3	2.0	.52	- 17.5	789.0	25.1	20.3	2.0	.52	- 17.5
Armstrng Wrld N	37.63	.25	.7	37.75	36.00	38.00	23.25	4,552	1.91	1.37	39.4	10.5	1.30	3.5	.....	3 mos.	03-85	376.6	- 1.8	17.9	- 23.8	.75	- 20.2	376.6	- 1.8	17.9	- 23.8	.75	- 20.2
Black & Decker N	19.50	- 1.00	- 4.9	20.75	18.38	26.88	17.25	48,844	9.70	2.22	336.9	11.1	.64	3.3	.....	6 mos.	03-85	403.1	26.4	14.8	- 35.9	.29	- 40.8	906.1	33.8	43.8	- 12.0	.86	- 18.1
Certain-teed N	27.63	.50	1.8	28.50	27.13	28.50	15.75	3,706	1.95	.55	254.5	13.0	.70	2.5	.....	3 mos.	03-85	252.9	- 9.3	8.2	- 9.9	.41	- 8.9	252.9	- 9.3	8.2	- 9.9	.41	- 8.9
Champ Intl N	22.75	- .75	- 3.2	23.63	22.38	26.75	16.88	26,471	2.85	1.59	79.2	NE	.40	1.8	.....	3 mos.	03-85	1645.8	43.4	43.8	50.5	.43	- 6.5	1645.8	43.4	43.8	50.5	.43	- 6.5
Clopay Corp A	16.88	- 2.50	- 12.9	19.63	16.63	22.19	10.91	125	.83	.85	- 2.4	11.2	.16	.9	.....	3 mos.	03-85	29.2	5.4	(.5)	NE	(.29)	NE	29.2	5.4	(.5)	NE	(.29)	NE
DeSoto Inc N	35.00	1.00	2.9	36.25	34.25	37.88	26.75	332	.70	.47	48.9	11.4	1.40	4.0	.....	3 mos.	03-85	93.0	4.8	.8	- 77.8	.17	- 73.8	93.0	4.8	.8	- 77.8	.17	- 73.8
Emhart Corp N	29.63	1.88	6.8	29.75	26.75	32.25	24.53	5,311	1.93	.66	192.4	10.1	1.40b	4.7	.....	3 mos.	03-85	419.9	- 8.9	14.1	- 33.5	.51	- 40.0	419.9	- 8.9	14.1	- 33.5	.51	- 40.0
Georgia-Pacific N	23.25	.50	2.2	24.00	22.75	27.38	18.00	31,842	3.11	1.28	143.0	22.6	.80	3.4	.....	3 mos.	03-85	1580.0	6.2	49.0	- 3.9	.43	16.2	1580.0	6.2	49.0	- 3.9	.43	16.2
Insilco Corp N	18.88	.50	2.7	19.13	18.13	20.72	13.81	6,349	3.55	.85	317.6	10.5	1.00b	5.3	.....	3 mos.	03-85	197.3	4.8	6.0	- 9.1	.33	- 8.3	197.3	4.8	6.0	- 9.1	.33	- 8.3
La Pacific N	21.50	.00	.0	22.75	20.88	24.75	16.50	7,082	2.06	.84	145.2	17.5	.80b	3.7	.....	fiscal	12-84	283.7	- 3.0	21.0	195.8	.64	204.8	1230.0	11.6	42.2	51.3	1.23	50.0
MacMlln Bldel N	16.38	- .38	- 2.2	16.88	16.13	21.81	15.00	245	.08	.06	33.3	NE	.00a	.0	.....	fiscal	12-84	578.5	11.0	24.0	77.8	.58	87.1	2127.6	4.1	19.3	589.3	(.20)	NE
Manville Cp N	6.25	.38	6.4	6.38	5.63	9.50	5.13	4,770	1.99	1.24	60.5	2.9	.00	.0	.....	fiscal	12-84	456.5	5.8	18.2	1416.7	.50	NE	1814.2	4.9	77.2	14.9	2.18	23.9
Masco Corp N	33.00	- 2.38	- 6.7	35.63	32.63	35.75	22.50	11,011	1.95	.76	156.6	19.2	.56	1.7	NEW	3 mos.	03-85	229.0	63.3	35.5	454.7	.61	- 31.5	229.0	63.3	35.5	454.7	.61	- 31.5
Natl Gypsum N	43.38	- 2.13	- 4.7	45.75	42.63	45.88	27.00	3,472	2.23	1.42	57.0	6.2	2.00	4.6	.....	3 mos.	03-85	365.8	- 6.2	26.0	7.4	1.67	7.7	365.8	- 6.2	26.0	7.4	1.67	7.7
Newell Co N	15.63	- .50	- 3.1	16.13	15.25	19.00	13.25	1,286	1.50	.45	233.3	9.6	.50	3.2	.....	3 mos.	03-85	79.5	4.3	3.2	10.3	.35	2.9	79.5	4.3	3.2	10.3	.35	2.9
Owens Corning N	35.13	.00	.0	36.13	34.63	37.00	25.13	3,603	1.22	.83	47.0	8.5	1.40	4.0	.....	3 mos.	03-85	678.0	- 2.4	28.0	35.3	.95	35.7	678.0	- 2.4	28.0	35.3	.95	35.7
Pope & Talbot N	19.63	- .88	- 4.3	21.00	19.63	21.50	15.00	169	.28	.22	27.3	NE	.80	4.1	.....	3 mos.	03-85	83.1	3.6	2.2	4.8	.37	5.7	83.1	3.6	2.2	4.8	.37	5.7
Potlatch Cp N	34.75	- .75	- 2.1	35.63	34.13	38.13	25.75	1,385	.90	.55	63.6	12.4	1.56	4.5	NEW	3 mos.	03-85	234.7	- 6.2	11.5	- 8.0	.67	1.5	234.7	- 6.2	11.5	- 8.0	.67	1.5
Sherwin-Wms N	38.38	- 1.13	- 2.8	39.75	38.25	39.88	24.00	2,690	1.19	.80	48.8	13.4	.92	2.4	.....	3 mos.	03-85	492.1	6.1	5.7	14.0	.25	13.6	492.1	6.1	5.7	14.0	.25	13.6
Stanley Works N	30.25	.13	.4	31.00	29.50	31.00	19.50	4,614	1.71	.93	83.9	11.5	.96	3.2	.....	3 mos.	03-85	276.9	4.3	14.0	1.4	.52	6.1	276.9	4.3	14.0	1.4	.52	6.1
Thos Inds N	15.13	- .75	- 4.7	16.25	15.13	18.88	12.38	1,621	1.91	.27	607.4	8.6	.68b	4.5	.....	3 mos.	03-85	73.9	17.5	3.2	- 22.0	.37	- 22.9	73.9	17.5	3.2	- 22.0	.37	- 22.9
Triangle Pac N	26.50	.25	1.0	26.63	26.00	31.25	20.75	1,843	4.53	2.33	94.4	8.0	1.00	3.8	.....	3 mos.	03-85	62.1	.6	2.6	4.0	.62	3.3	62.1	.6	2.6	4.0	.62	3.3
USG Corp N	39.88	1.13	2.9	39.88	36.13	39.88	22.50	9,328	2.82	1.35	108.9	7.0	1.68	4.2	.....	3 mos.	03-85	588.3	22.4	42.5	7.6	1.28	7.6	588.3	22.4	42.5	7.6	1.28	7.6
Walter, Jim N	38.13	.88	2.3	39.25	37.25	39.25	22.00	4,106	1.89	1.26	50.0	7.9	1.40	3.7	.....	6 mos.	02-85	526.3	- 6.8	15.0	30.4	.69	32.7	1084.6	- 3.9	42.1	24.2	1.93	24.5
Waxman Ind M	14.75	- 1.63	- 9.9	16.88	13.38	16.88	3.50	2,431	8.05	5.28	52.5	18.7	.08	.5	.....	9 mos.	03-85	20.5	97.1	.5	66.7	.19	58.3	61.4	105.4	1.7	142.9	.66	144.4
Weyerhaeuser N	29.25	.38	1.3	29.75	28.50	34.00	25.88	15,339	1.18	.75	57.3	19.1	1.30	4.4	.....	3 mos.	03-85	1275.7	- .1	38.2	4.4	.24	4.3	1275.7	- .1	38.2	4.4	.24	4.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

HOUSING WATCH

Remodelers, realtors agree: Strong '85 gains

NATIONAL REPORT — The nation's remodelers and realtors are optimistic about activity in their respective markets with both groups projecting large sales increases for the rest of 1985.

The National Remodelers Council of the National Assn. of Home Builders predicts that consumers will spend a record $71 billion on remodeling projects this year compared to the $63 billion spent in 1984.

A recent survey conducted by the Remodelers Council revealed that remodelers expect an increase in activity for all home improvement activity—including room additions and alterations, maintenance and repair, rehabilitation and renovation and major replacements—between now and Sept. 30.

The National Assn. of Realtors is also optimistic about housing activity.

The NAR reports that 1985 should produce 3.1 million sales of existing single-family homes, making it the best year since 1979 when 3.8 million resales were recorded. It also reflects an 8.2% increase over 1984 when 2.87 million units were sold.

According to its April "Attitudes of the Real Estate Industry" survey, 86% of the respondents said spring is a "good time to buy a home." Only 68% were optimistic about the market during October's survey.

The NAR also reported that its Housing Affordability Index for resale homes rose to 90.3 in April, the highest mark since November 1979.

The index means that a family earning the nation's median income, $26,783 in April, had 90% of the income necessary to qualify for a mortgage covering 80% of a $74,400 home, the nation's median-priced resale home in April.

According to David D. Roberts, president of the NAR, "The status of the affordability situation and the plentiful supply of homes for sale makes now an excellent time to buy a home."

The optimism expressed by both organizations is reflective of strong economic times for both industries.

In addition to a plentiful housing supply better affordability the NAR also cites lower mortgage rates as reason of its strong activity. The remodelers said that the boom in their business reported by the Census Bureau last year is carrying over into 1985.

In a recent poll, 73% of the country's professional contractors reported they are optimistic about business for the near future and believe remodeling activity will be "good" between now and the end of September.

During the first quarter of 1985, however, the majority of respondents said business was "about the same" as it was for the previous six months. But 42% noted that the number of bathroom remodeling and room additions projects had increased over the last six months.

The remodelers reported that roofing/siding/insulation projects, averaging $3,770 per job, ranked as the most common project for them. Next was window and door replacements. The average window/door job costs homeowners about $4,956, but can cost as much as $15,600, compared to roofing/siding/insulation projects, which can cost as much as $9,600, according to the survey.

The third most frequent project, remodelers reported, is the addition of a fireplace or a wood stove, which carries an average price tag of $3,770, and a project range of $500 to $5,000.

Although the aforementioned projects were rated as the most frequently undertaken, the contractors noted that they are doing a lot of kitchen remodeling, bathroom remodeling/additions and room additions.

The average kitchen project costs $12,430, the remodelers reported, however, the per-job cost can go as high as $60,000.

Adding second story most expensive remodeling job

Remodeling projects	Average price per job
Added second story	$44,200
Room additions	30,103
Kitchen remodeling	12,430
Finished basement	11,027
Finished attic	10,250
Added porch/garage	9,433
Enclosed porch/garage	8,726
Bathroom remodeling/additions	7,739
Window/door replacement	5,613
Exterior work (fencing, deck, etc.)	5,357

Source: National Remodelers Council Economic Survey, 1st quarter, 1985; NAHB Economics Division

While the average cost of a kitchen remodeling project is $12,430, the per-job cost can go as high as $60,000, depending on the scope of the project.

AHMA cancels trade forum

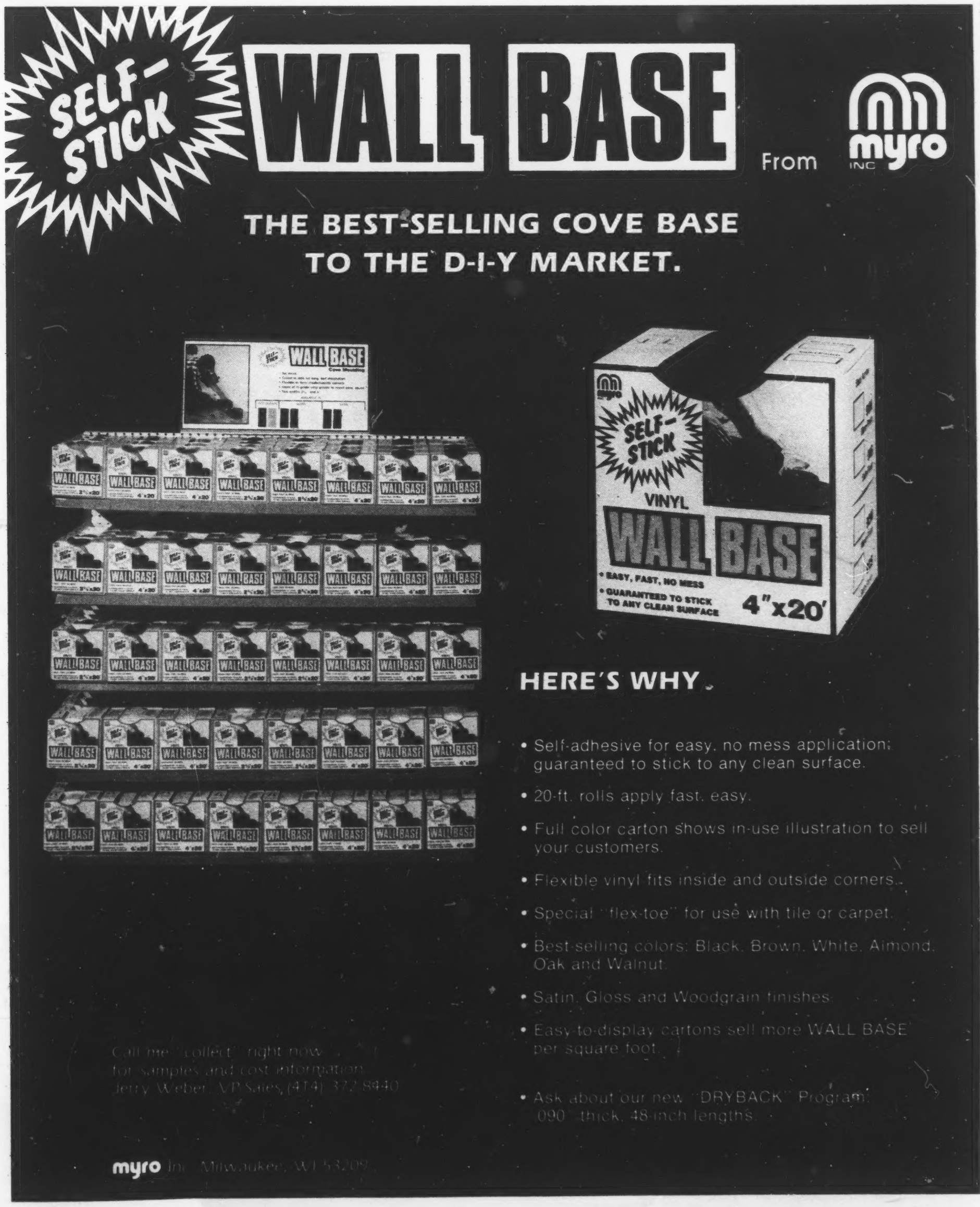
WASHINGTON — Lack of interest on the part of its members was behind the cancellation by the American Hardware Manufacturers Assn. of its Capital Trade Conference, which was to be held here from June 4-6.

"We at the AHMA were frankly astounded that we could only get the minimum number of industry attendees to come to this year's event," said John Baker, the association's member services manager. This year's conference would have been the AHMA's fourth in as many years.

In a telephone conversation from the association's offices in Schaumburg, Ill., Baker told *NHCN* that while last year's turnout for AHMA's International Trade Forum had been "disappointing," it was the decision of the association's committee that the conference was worth proceeding with, that the issues of foreign trade and competition were still urgent for domestic manufacturers, and that this year's list of speakers—which included Sen. Bill Bradley (D-N.J.), former U.S. Trade Representative Robert Strauss, and ABC News senior correspondent John Scali—would have the drawing power to produce a larger audience.

Baker said that while the association was forced to cancel the 1985 conference, it would continue to offer "the mechanism where hardware manufacturers can interact with government officials each June."

He added that the AHMA will also move forward in its lobbying efforts on behalf of its members. When asked if the lack of a conference would hinder the association's ability to arrive at a consensus from its members on what course of legislative action would be recommended, Baker said that "we will simply have to do a better job of soliciting that kind of opinion from our members in such a way that is easiest and most convenient to them. But we are not going to slow down."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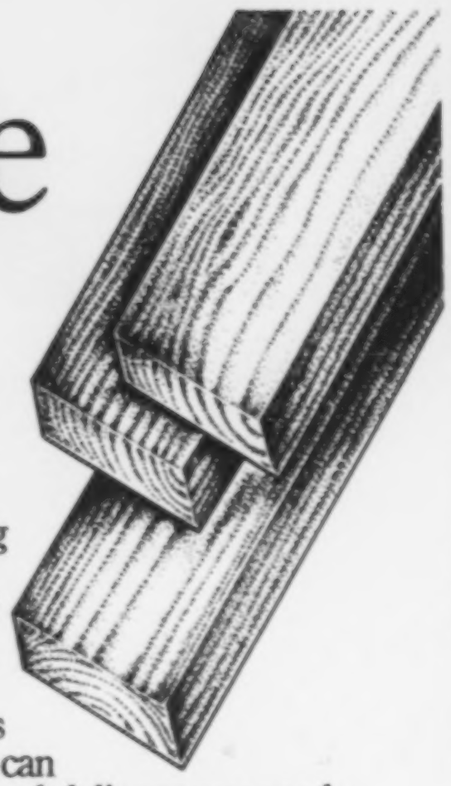

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LUMBER REPORT

Panel industry to evolve by 90's as plywood market share wanes

By Robert Berg
Special to NHCN

The structural panel market provides an excellent case study of the interplay between the marketplace and technology in the development of an industry.

The technology for producing plywood was developed 70 years ago, but its penetration of the wood markets did not accelerate until the 1950's and early 1960's as the escalation of lumber and labor costs made the plywood panel a cost effective substitute. This process picked up even more momentum in the 1960's when it was proved that plywood could be made from southern yellow pine.

Subsequently, the escalation of stumpage costs during the 1970's and the rapid development of resin and wafer technology spurred the investment in waferboard and oriented strand board (OSB) capacity and the resultant cost advantage of the nonveneered panels has accelerated its acceptance in the market.

The demand for structural panels (plywood, waferboard and OSB combined) has grown dramatically through the 1970's and the first half of the 1980's. Data Resources estimates that total panel demand escalated at a 3.8% average annual rate from 14.4 billion sq. ft. in 1968 to 20.9 billion sq. ft. in 1978. As a mature industry, growth in panel demand slowed to a 1.3% annual rate from 1978 to the record level of 22.6 billion sq. ft. set in 1984.

Data Resources is projecting a 4.4% increase in panel demand for 1985 to around 23.6 billion sq. ft., and by the end of the 1980's, the total consumption of structural panels is expected to reach 26.2 billion sq. ft. per year. This translates into a 1.5% per year average growth through the 1980's.

Plywood accounted for almost all of this panel consumption through the mid-1970's, at which time the OSB/waferboard product began to make inroads into the market. This penetration was accelerated by the rapid escalation in stumpage prices (and therefore plywood costs of manufacture). The OSB/waferboard share of the market has climbed steadily from around 1% in 1976 to 11% in 1984. This market penetration represents an astronomical 30% per year increase in demand for OSB/waferboard over the eight-year period.

Reconstituted wood panel products should continue to capture market share through at least the end of the century. The rate of market penetration will be determined by the level of investment in new waferboard/OSB capacity as well as a growing expressed preference by the market for the new panel types. Data Resources estimates that OSB/waferboard demand will increase 42% over the 1984 level, to 3.5 billion sq. ft. in 1985, pushing its market share up to 15% of the panel market. By the end of the century, Data Resources estimates that OSB/waferboard will account for 60% of the structural panel market with demand conservatively estimated at 16.2 billion sq. ft.

Low cost alternatives

The rapid growth in plywood in the early 1970's and the subsequent penetration by the OSB/waferboard panels was due primarily to the fact that each product in turn offered a low-cost alternative to the market. In 1978-79, the total variable cost of producing plywood was around $149 per 1,000 sq. ft. ($^3/_8$-in. basis) while the cost of producing waferboard in the North Central U.S. was 54% lower at $68 per 1,000 sq. ft. Most of the cost difference arose from the price paid for delivered wood ($80/MSF for plywood in the West vs. $22 per 1,000 sq. ft. for waferboard in the North Central U.S.).

The recent collapse of the West Coast stumpage market has narrowed this cost spread, but in 1985 the advantage is still decidedly in favor of wafer-

(Continued on page 68)

FUTURES

Two weeks ended May 30, 1985

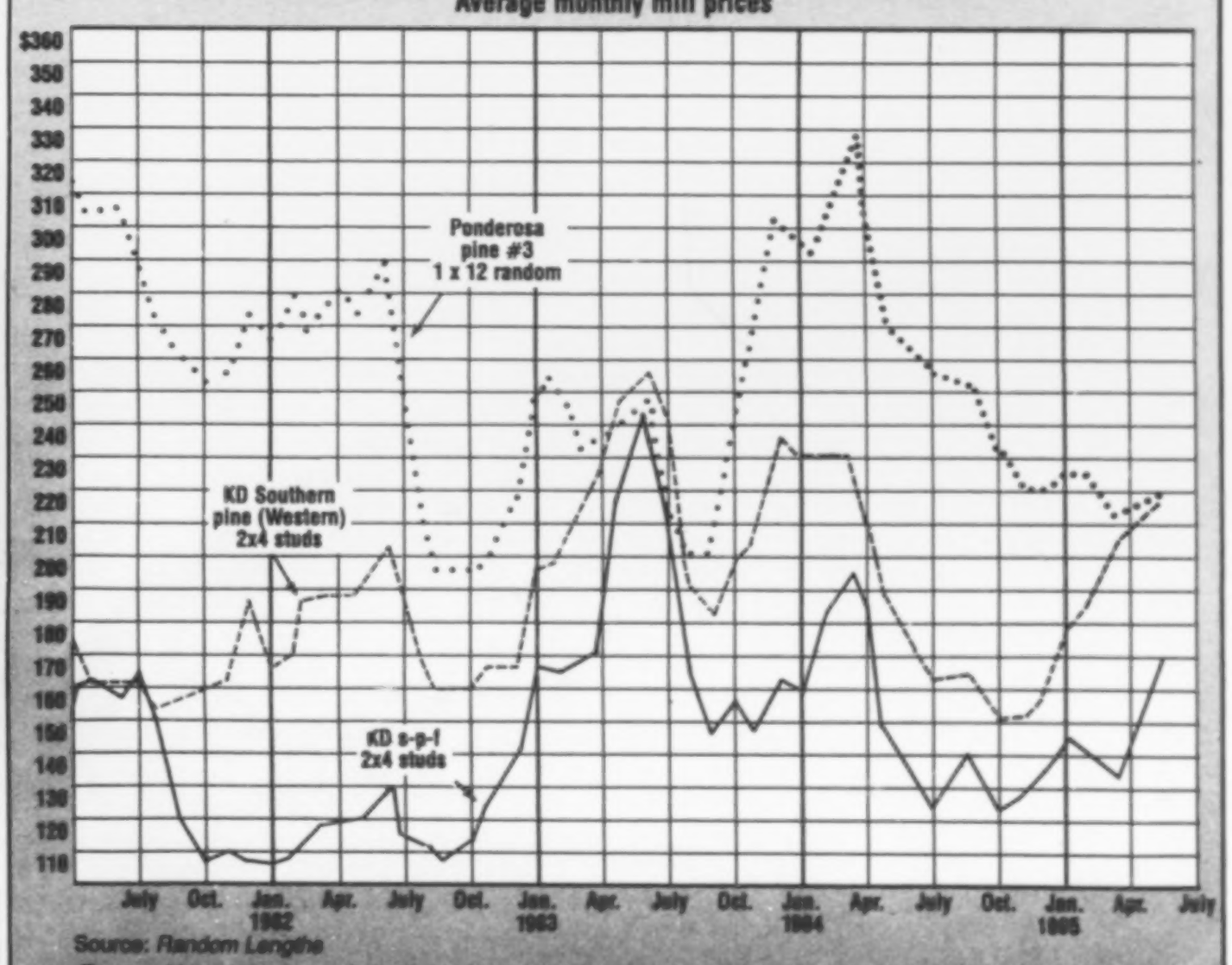
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July '85	165.70	152.80	155.70	160.70	4,010	230.50	129.30
Sept.	164.90	153.00	157.50	159.90	2,417	197.50	135.30
Nov.	163.30	153.00	157.80	159.10	2,347	186.10	137.80
Jan. '86	166.20	157.00	163.00	162.90	600	187.30	144.60
March	169.30	161.50	167.00	166.70	250	188.20	149.00
May	172.50	165.5.	171.10	170.60	126	176.40	153.00
July	Nominal		178.90	176.00	8	183.40	174.50

Total Contract Vol. (Through 5/30): 21,958 — **Previous Two Weeks: 23,221**
Total Open Interest (As of 5/30): 9,758 — **Previous Week: 9,613**
Cash Price: $166.60 — **Previous Week: $169.54** — **Year Ago: $140.14**

CME—Chicago Mercantile Exchange
*Figures for Thursday, May 30.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

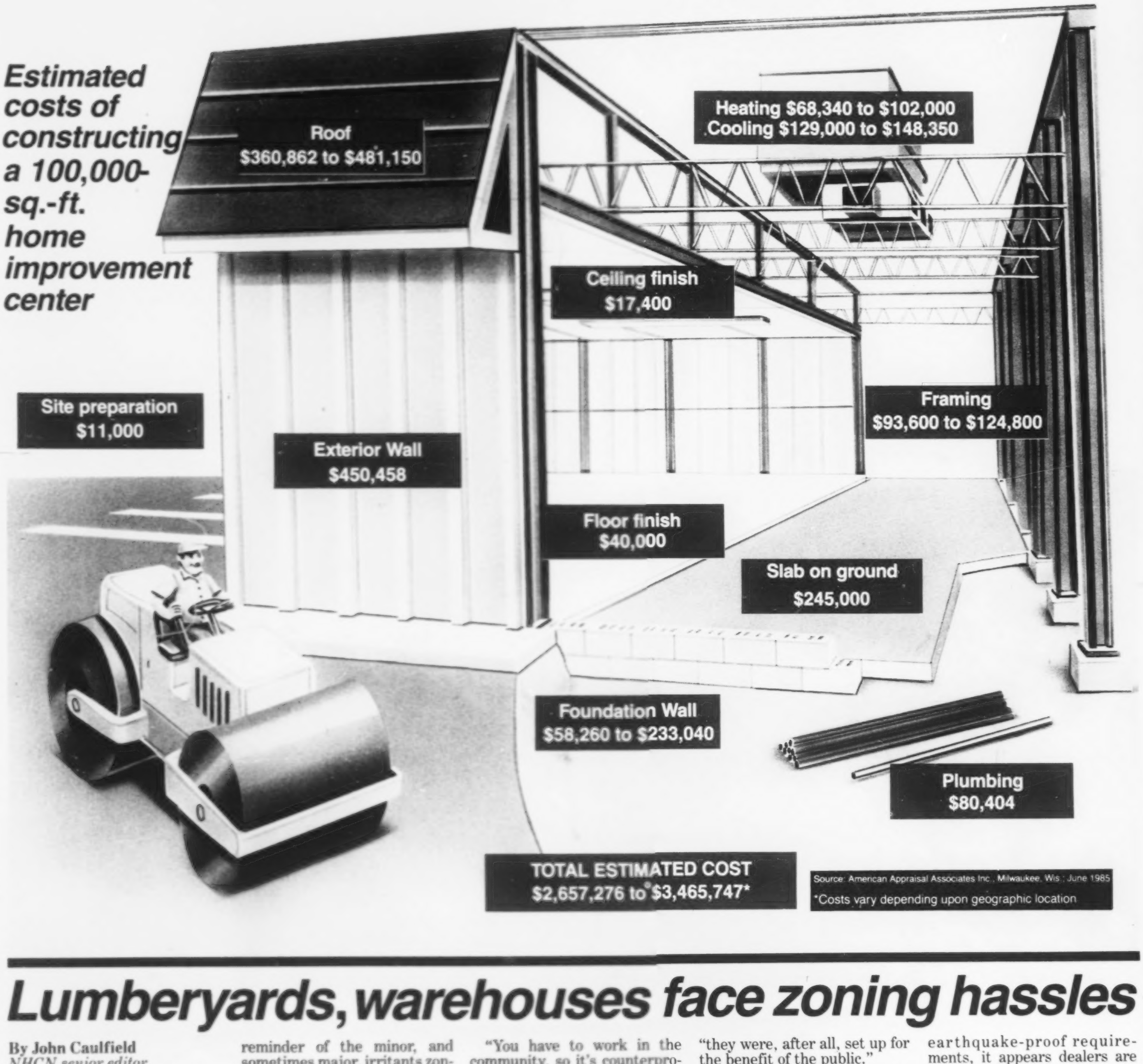
Buoyed by vigorous sales, the price of lumber crept upward during the month of May, breaking the downward price spiral that occurred for some species in early spring. All species showed one month price increases with a thousand board feet of KD southern pine (western) leading the pack with a 14% increase from April's $192 to May's $225.

A thousand board feet of KD s-p-f studs displayed an 11% price increase to $180.

National Home Center News

Special report: Store construction & remodeling

Rapid growth inspires innovative strategies



Lumberyards, warehouses face zoning hassles

By John Caulfield
NHCN senior editor

NATIONAL REPORT — Not too long ago, Payless Cashways, in order to comply with a city's ordinances, was forced to build what has come to be known infamously as "The Rat Wall," an 8-in. thick concrete beam buried 18-in. underground encircling the foundation of one of its stores' warehouses.

The beam was meant to keep out rats, "but I could never figure out why we needed it," said Brad Bright, director of store merchandising for the 164-unit chain. "For one thing, we have 50 to 60 ft. of parking lot coming up to the warehouse entrance. And we told the zoning board that we leave the warehouse door open all day, so the rats, if there were any, could just stroll in if they wanted to."

The Rat Wall cost Payless only $5,000, but it serves as a reminder of the minor, and sometimes major, irritants zoning and building code regulations can inflict on home center operators, whether these companies are constructing a new unit, or retrofitting a second-use site.

Retailers generally concur that zoning and building regulations are important, and most dealers do not object strenuously to changes mandated by city planners, whom they say are flexible, for the most part.

"You have to work in the community, so it's counterproductive just to say 'no' to a zoning board," said a spokesman for the HomeClub, based in Fullerton, Calif. "It's much smarter to work out your problems with the city's planning staff."

Bob Ham, senior architect for Lowe's, North Wilkesboro, N.C., added that it behooved dealers and developers to work within a city's zoning and building code guidelines because "they were, after all, set up for the benefit of the public."

This is not to say, though, that dealers are thrilled with all the codes with which they are required to comply—codes they claim can tack on anywhere from 3% to more than 10% to their construction or remodeling costs.

Aside from the usual complaints about having to do curb cuts, landscaping, add more lighting, install water retention ponds and, in California, meet earthquake-proof requirements, it appears dealers are being impeded by archaic zoning laws that tie up a home center from coming into a market.

"The most troublesome problem for us continues to be our outside lumberyard," said Dick Clark, vp-construction for Scotty's, the Winter Haven, Fla., chain. "Sometimes, you can get a variance changing a zone on a piece of property, but often you have to decide whether it's cost effective to install inside storage to comply with industrial zoning, and whether you want the land bad enough."

Late last year, Lowe's was after a "hot" parcel of real estate in its home state, but had to give up on it because the city wouldn't budge on its zoning restrictions against outside lumberyards.

There is a Catch 22 element to this dilemma, Ham contin-

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ZONING: Home Depot's Deerfield Beach nightmare ..... Page 21
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IN-STORE SIGNING: Chains overhaul programs ..... Page 24
FIXTURES: Matching the right rack to the right product ..... Page 28
PARKING LOTS: Varying needs drive dealers' strategies ..... Page 30
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Special report: Store construction & remodeling

Lumberyards, warehouses face zoning hassles

(Continued from page 19)

ued, in that parking lot ratios are determined by most cities on the amount of retail selling area a store uses, usually one space per 1,000 sq. ft. "If we went into an 80,000-sq.-ft. building, because we couldn't have an outside yard, but only used half the space, we're going to be assessed on parking area that's never going to be used." He also noted that this could mean the company would be required to develop another half acre of property, at a cost of $150,000 to $200,000.

Oddly enough, the warehouse home centers, which stock virtually all of their inventory inside also, have run into zoning problems because some cities won't permit "warehouses" of any stripe in certain areas. "A lot of municipalities are unwilling to consider the warehouse retail concept for their cities," said Jeff Langfelder, vp-real estate for The Home Depot in Atlanta.

This attitude against warehouses stems, in part, from the desire by planners to set "an esthetic tone in their cities," said the HomeClub spokesman. "We don't altogether object to this either, but we would like some latitude when it comes to making structural change to the exteriors of our stores to meet those standards."

Another esthetic headache dealers must address when developing land for a new store is the amount of landscaping they have to do to come up to code. Home Depot, for one, is still wrestling with this in Deerfield Beach, Fla. *(see story).*

"In some markets, we've put in enough shrubbery outside our stores to open an arboreum," said Bright of Payless. Other home center officials have called these landscaping ordinances "excessive," a change that even some building inspectors agree with.

"The way we've been evaluating applications, I've told the city that instead of rezoning, why don't we just use the Burpee catalog," said Ralph Liebing, building commissioner for Hamilton County in Cincinnati, one of the industry's growing markets. "We're putting an awful lot of projects on line with landscaping as a crutch for approval instead of updating our city maps and rezoning."

Hamilton County is about two-thirds of the way through rewriting its zoning ordinances, which date back to 1949, in which the number of zoning designations could be expanded to 30 from the current 12 to 14.

In the interim, city planners have allowed certain types of businesses, including retailers, into planned districts, which Liebing said established a kind of "pseudo-rezoning." "We're looking to get away from 'cosmetic' zoning to a more planned, and enforceable, mechanism," he said.

A community's flexibility or intractability in its zoning and building code enforcement often depends on what financial condition the municipality is in, and how eager it is to have a business come in to clean up a blighted section of town.

"A lot depends on how bad the city wants that particular retailer, or how bad it needs the tax revenue," explained Dan Harrington, vp-development for Dolan Associates, a real estate developer based in Bannockburn, Ill.

He gave one example of Builders Square, the K mart owned warehouse home center chain, moving into a site in Oak Park, Ill., which had previously been a Korvette's and Woolco unit, but had been unoccupied for a year and a half. "The empty building was a blight in that strip mall, so the city was eager to have Builders Square come in," he said. "The hardest thing [the chain] experienced was negotiating for the lease."

Other dealers agree that the tax revenues their stores can generate for a city serve as effective leverage when negotiating with municipal officials over zoning and building codes.

"We are an asset to any community and our name is known across the state, something we mention at every zoning meeting," said Clark of Scotty's. Langfelder of Home Depot added that the chain was welcomed with open arms in Fullerton, Calif., "because they liked the idea of increased sales tax, and our cleaning up a rundown area." Home Depot was also invited personally by the mayor of Chula Vista, Calif., to inspect sites in that city.

Not all cities are this accommodating, however, particularly when it comes to approving a zoning application expeditiously.

Liebing, the building commissioner in the Cincinnati market, said that one of the main problems with his county's antiquated zoning laws was its procedural bureaucracy, where a building application goes through layers of commissions and can take up to nine months to complete.

"When you're trying to make renovations in a store quickly to deflect the impact of incoming competition, and you have to wait several months for approval of even the smallest structural change, who is helped by that?" asked Bright of Payless.

In fact, most retailers agreed that renovating an existing unit or second use building was considerably more zoning drawbacks than constructing a store from scratch. "You're usually taking over a unit that was constructed under old zoning, and the number of changes you're required to make to upgrade can be astronomical," said Ham of Lowe's. Homeclub's spokesman added that a retailer is not in a strong bargaining position in these cases, either. "You can either capitulate, or drag the process out forever, which benefits no one."

Recently, Payless won a lawsuit over whether it could be forced to install a sprinkler system in a store that had prior building approval and was 70% completed, and is now weary of retribution by the city if further renovation of the store is needed.

Conflicts of this magnitude are rare, and most cities actually encourage the expansion of home centers into their environs by offering development financing vehicles or even buying down the cost of land. And, no industry executive felt his company was being kept out of a market because of either zoning or building codes.

However, there is one area where zoning boards appear to be taking a much harder line: controlling the size and number of signs a retailer is allowed to use to promote his store's location.

In almost every city in the country, one can find business areas whose horizons are cluttered with signs from every conceivable retailer, each looking to shout louder than the other. Ham of Lowe's noted that in Winston-Salem, N.C., the city is attempting to rewrite its zoning codes to rein in what he sees as "one company trying to outdo the other with the biggest signs. It's really unbelievable."

While most dealers agree that signage used by some retailers has gotten out of hand, particularly in many of the Sunbelt markets, some feel that further restrictions could impact the image they want their stores to project from the street.

One such company is Moser Lumber, based in Naperville, Ill., currently building for $2.5 million a 60,000-sq.-ft. warehouse unit on 6.7 acres of land, and employing the remodeling and signage format of Hardware Wholesalers Inc.'s "Do-It" program.

"Our city only allows 30% of the side of a building to be used for signage, and we can only have one ground sign," said Paul Jacobs, Moser's vp and general manager-retail division. "And, as you know, the Do-It concept uses a lot of very large signs, so this could be a problem for us."

Signing restrictions notwithstanding, it is generally conceded by most home center executives that zoning and building code restrictions are becoming more conducive to retail expansion.

Some also assert that home improvement retailers fare better in markets whose zoning and building codes are well-monitored because these regulations help to keep the price of real estate down.

"When you have a free market situation where zoning isn't a factor, the price of prime land goes up and is rewarded to the highest bidder," explained Stanley Oblay, senior vp for Deauville Development Corp. in Houston, where there is no zoning and a construction free-for-all has taken place over the past decade.

Oblay told *NHCN* that because of Houston's lack of zoning, there has been a sharp curtailment of nonshopping mall development, because the cost for retailers to open freestanding units, under current competitive market conditions, is prohibitive.

"I can imagine that Home Depot, which will have a few freestanders in Houston, is paying a pretty good buck for that privilege," he said.

Cost of building a home center varies by market and climate

(Estimates are $ per sq. ft.)

Selected components	CHICAGO		PHILADELPHIA		HOUSTON	
Site preparation	$ 0.11	(0.4%)*	$ 0.11	(0.4%)*	$ 0.11	(0.5%)*
Foundation wall	2.33	(8.8%)	1.40	(5.7%)	0.58	(2.5%)
Interior foundations	0.29	(1.1%)	0.21	(0.9%)	0.14	(0.6%)
Slab on ground	2.45	(9.3%)	2.45	(9.9%)	2.45	(10.7%)
Framing	1.25	(4.7%)	1.12	(4.5%)	0.94	(4.1%)
Exterior wall	4.50	(17.0%)	4.50	(18.2%)	4.50	(19.6%)
Roof	4.81	(18.2%)	4.33	(17.6%)	3.61	(15.7%)
Floor finish	0.40	(1.5%)	0.40	(1.6%)	0.40	(1.8%)
Ceiling finish	0.17	(0.6%)	0.17	(0.7%)	0.17	(0.7%)
Partitions	0.72	(2.7%)	0.72	(2.9%)	0.72	(3.1%)
Plumbing	0.80	(3.0%)	0.80	(3.2%)	0.80	(3.5%)
Heating	1.02	(3.9%)	0.77	(3.2%)	0.68	(3.0%)
Cooling	1.29	(4.9%)	1.38	(5.6%)	1.48	(6.5%)
Electrical	4.04	(15.3%)	4.04	(16.4%)	4.04	(17.7%)
Built-ins	0.36	(1.4%)	0.36	(1.5%)	0.36	(1.6%)
Other building services: Sprinkler system Manual fire alarm Auto fire detection	1.91	(7.2%)	1.91	(7.7%)	1.91	(8.4%)
Total cost per sq. ft.	34.66		34.31		26.57	

Figures include labor and material, normal profit and overhead. Architect fees of 7% are included.

*% of total cost

Source: American Appraisal for *National Home Center News*, June 1985

The cost of building a home center can range from as much as $34.66 per square foot in a cold climate city like Chicago to $26.57 in a warmer market like Houston. Exterior walls, roof and electricals comprise the largest shares of the total price tag.

Esthetics pose headache for Depot

DEERFIELD BEACH, Fla. — When Home Depot purchased a highly valued parcel of property in this oceanfront community in the fall of 1983, its officials did not anticipate zoning approval for a proposed 80,000-sq.-ft. warehouse store to be any more difficult than the other Florida markets into which it has expanded.

But when the 32-unit Atlanta chain submitted its construction applications to the city's zoning commission in December of that year, it ran into unexpected opposition over the exterior design of the store, the amount of landscaping of the land the city required, even the use of the orange colors for which it has come to be known in the industry.

It took the chain around 35 days of sometimes heated negotiations to gain final approval from the zoning commission for the unit which opened, with a somewhat modified look, this April.

"What we wound up with isn't a store, it's a palace," said Jeff Langfelder, Home Depot's vp-real estate. "And we don't have a parking lot, we have a park."

Mark Leaf, director of planning for the city of Deerfield Beach, sees things differently. "Most retailers would be content to come into a market, throw up a steel box and a sea of asphalt, and nothing else. But this is 1985, and we don't operate like that anymore. We've learned a great lesson about zoning and development over the past decade."

In virtually every major market, home centers encounter a mishmash of zoning regulations and, at times, rigid city planners. But most industry officials concede that, in the majority of instances, zoning boards are flexible and willing to sit down with a chain to hammer out a development plan.

But the case of Home Depot in Deerfield Beach is an example of the zoning nightmare some companies will endure just to get a store up on a prized piece of real estate.

The plot of land on which Home Depot wanted to put its new store is located in what Leaf said was "an area of high visibility for the city," on the intersection of Hillsboro Road and Interstate 95, the main access route into the city.

City planners, in fact, were not looking for a retail outlet to be built here, hoping instead that the property would be developed for stylish office buildings more appropriate to the surroundings.

In one corner of this sector is a building locally known as the "Toyota Building," owned by a distributor called Southeast Industries, which Leaf claims has won "numerous" architectural awards. The southeast corner is occupied by the executive offices of Crocker & Co., a commercial real estate developer, which Leaf said was recently accorded a state landscaping prize, and went so far as to landscape the public median leading to its building.

And, on the northeast side, a

(Continued on page 72)

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LUMBER REPORT

Panel industry to evolve by 90's as plywood market share wanes

(Continued from page 16)

board. Data Resources estimates that the current variable production costs for waferboard is around $85 per 1,000 sq. ft. to $90 per 1,000 sq. ft.; fully 38% below the variable costs of plywood. Growing lumber and wood products demand over the next 15 years and declining timber inventories in the West and South will result in another round of escalation in sawtimber prices. This in turn will increase the cost advantage of waferboard and OSB. Consequently, the reconstituted wood panels will be able to take more market share away from plywood over the future.

The long-run implication of this loss of market share will be the passing of the plywood industry as we know it today and the evolution of a new panel industry by the mid-1990's comprising both veneered and non-veneered panel producers. This process is already under way. Since 1980, annual plywood capacity has been reduced 8.5% in the West (or 0.81 billion sq. ft.) while total OSB/waferboard capacity has increased 2.6 billion sq. ft. in the United States and 0.83 BSF in Canada.

The dynamic interrelationships of technology and market forces that come into play in the birth of reconstituted panels will continue to sponsor expansion of the relatively new OSB/waferboard industry. Resin technology has and will continue to improve allowing waferboard and OSB producers to utilize a mix of low-cost "junk" hardwood lumber and at the same time improve the technical performance of the panels produced. The cost of peeler quality sawlogs will start to escalate faster than overall inflation in the second half of the 1980's as this resource continues to decline. And, even though improved technology will allow the processing of smaller and lower cost timber, quality will suffer and these actions will still be insufficient to push costs of plywood production below those for waferboard/OSB.

This combination of events will nurture the expansion of the reconstituted panel products industry through the end of this century and beyond.

Robert Berg is a senior economist with Data Resources, Lexington, Mass. This is the second of a series of columns he is preparing especially for National Home Center News.

'Growing wood products demand over the next 15 years and declining timber inventories will result in another round of escalation in sawtimber prices. This in turn will increase the cost advantage of waferboard and OSB. Consequently, wood panels will be able to take more market share away from plywood over the future.'

—Robert Berg

Connor Forest Ind. sells cabinet division

WAUSAU, Wis. — Connor Forest Industries has sold its cabinet division to several members of the management team. Paul Streeter, formerly general manager of the cabinet division, is the major principal in the transaction. He will be president and chief executive officer of Connor Cabinets, which will be relocated in Tennessee.

Jim Fultz, formerly controller, will be vice-president-finance of the new company. Corporate headquarters will be in Knoxville, Tenn. Manufacturing facilities will be consolidated at the existing Morristown, Tenn. plant, to achieve higher efficiency.

Many of the key staff members of the former company will be joining the new endeavor. The objectives of the management and marketing team will be to strengthen the position of the Connor line in the market and to increase both production and customer service efficiency.

FOR THE RECORD

Miracle Adhesives changes 800 number

Miracle Adhesives, Bellmore, N.Y., has changed its toll free 800 number to 1-800-MIRACLE. Customers can call the number to place orders or to obtain product information. For New York State the number 516-221-0950.

Floor Covering Assn. relocates offices

CHICAGO — The National Assn. of Floor Covering Distributors relocated its offices to 13-126 Merchandise Mart but retains its 312-467-0116 phone number, according to the association.

The move became effective on May 1.

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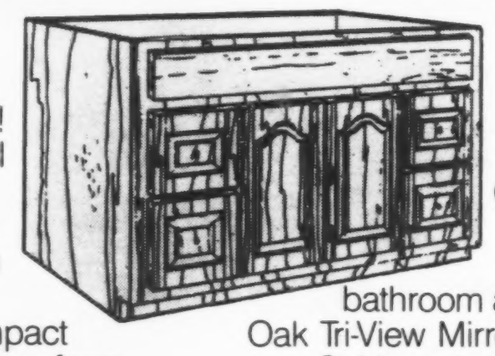

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